

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Retail Access Optimization Initiative

Docket No. N2011-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

(Issued August 24, 2011)

The Postal Service is requested to respond to the following questions to clarify the record on its request for an advisory opinion under 39 U.S.C. 3661(c) regarding the examination of continuation of service at approximately 3,650 postal retail locations.¹ In order to facilitate inclusion of the required material in the evidentiary record, the Postal Service shall have a witness attest to the accuracy of the answers and be prepared to explain, to the extent necessary, the basis for the answers at the hearings. Responses shall be provided no later than August 30, 2011.

1. Please refer to witness Boldt's testimony (USPS-T-1) page 3, lines 4-9. Please identify which category 1 offices are "part-time" offices.
2. Please refer to page 6 of the Statement of Postmaster General/CEO Patrick R. Donahoe Before the Committee on Oversight and Government Reform, Subcommittee on Federal Workforce, U.S. Postal Service and Labor Policy, United States House of Representatives, dated March 2, 2011, discussing the Postal Service's Delivery Unit Optimization (DUO) Initiative.
 - a. Please describe the DUO Initiative and its goals.

¹ Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services, July 27, 2011 (Request).

- b. Please describe the potential impact of the DUO Initiative on the Retail Access Optimization (RAO) Initiative.
 - c. Is there any formal or informal coordination between the Postal Service's DUO Initiative and the RAO Initiative proposed in this docket? If so, please describe such coordination efforts and provide all documents that discuss coordination of these two initiatives.
- 3. Please identify all current postal facilities that the Postal Service considers to be "small post office[s]" as that term is used in 39 U.S.C. 101(b).
- 4. Witness Boldt states on page 13 of his testimony that "[i]t should be emphasized that postal management is not pursuing the RAO Initiative in order to achieve any predetermined operating cost savings target in the postal retail network." Further, witness Boldt states that "it is incumbent upon the Postal Service to review its physical retail network to determine if reasonable opportunities exist for making the network more efficient and customer access more convenient, while continuing to provide adequate access to its products and services...[and] pay careful attention to its responsibility to efficiently provide service that meets its obligations to the public." USPS-T-1 at 13.
 - a. Please define "adequate access to its products and services" as that phrase is used in witness Boldt's testimony.
 - b. Please describe how the Postal Service will determine that the RAO Initiative is "making the network more efficient and customer access more convenient, while continuing to provide adequate access to its products and services." *Id.*

- c. Is one of the goals or purposes of the RAO Initiative to better align postal retail facilities with demand for postal retail facilities? If not, please explain why not.
 - d. If your response to question 4.c. is in the affirmative, please describe how the Postal Service measures or plans to measure whether the RAO Initiative has better aligned postal retail facilities with demand for postal retail facilities.
 - e. Please describe whether and how the Postal Service will review, after implementation, if the RAO Initiative has “ma[de] the network more efficient and customer access more convenient, while continuing to provide adequate access to its products and services.” *Id.*
5. After a discontinuance study is initiated, but prior to closure of a specific facility, how does the Postal Service ensure that alternative access will adequately meet the demand for retail postal services in a particular area?
6. After a specific facility is closed, how does the Postal Service ensure that alternative access is adequately meeting the demand for retail postal services in a particular area?
7. In its advisory opinion as a result of Docket No. N2009-1, the Commission made specific recommendations for the Postal Service to improve its Station and Branch Optimization and Consolidation Initiative and discontinuance process. See Docket No. N2009-1, Advisory Opinion Concerning the Process for

Evaluating Closing Stations and Branches, March 10, 2010 (Advisory Opinion).²

Please explain what specific changes the Postal Service has made to both its discontinuance procedures and to the formulation of the RAO Initiative as a result of the Advisory Opinion in the areas listed below. Please address each Commission recommendation separately and in detail.

- a. The Postal Service should develop and disseminate guidance for local managers. *See* Advisory Opinion at 41-44.
- b. The Postal Service should articulate the objectives of the initiative more clearly. *See id.* at 44-46.
- c. The methods used for evaluating proposals for consolidations and closures should include a separate category for community issues. *See id.* at 46-48.
- d. Public notice should be improved. *See id.* at 48-57.
- e. Financial analysis should be improved. *See id.* at 57-61.
- f. Customers should be assured that the Postal Service will adhere to its published procedures. *See id.* at 65-67.
- g. The Postal Service should coordinate this initiative with any other initiatives affecting access. *See id.* at 67-69.

² In the Advisory Opinion, the Commission noted, “the Postal Service has indicated that this program will continue to be applied in the future to numerous retail facilities.” Docket No. N2011-1 might be considered a subsequent application of the program.

8. In the Docket No. N2009-1 Advisory Opinion, the Commission found that “an internal data collection plan would benefit the Postal Service in evaluating whether or not the initiative is meeting its goals, and would provide insight into possible improvements that the Postal Service could make in evaluating facility discontinuances in the future.” *Id.* at 69. Does the Postal Service plan to collect any data following implementation of this initiative? If so, please describe such data and any planned data analysis.
9. 39 U.S.C. 403(a) states that “[t]he Postal Service shall plan, develop, promote, and provide adequate and efficient postal services....” Additionally, section 403(b) states that “[i]t shall be the responsibility of the Postal Service...(3) to establish and maintain postal facilities of such character and in such locations, that postal patrons throughout the Nation will, consistent with reasonable economies of postal operations, have ready access to essential postal services.” What qualitative or quantitative guidance and/or training is provided or will be provided to the reviewing officials to ensure that the RAO initiative and related discontinuance studies maintain “ready access to essential postal services” and promote and provide “adequate...postal services”? Please provide all documents disseminated to reviewing officials concerning how to maintain compliance with these aspects of the law.
10. How does the Postal Service plan to standardize the reviewing processes for discontinuance studies between different reviewing officials in different areas?
11. What procedures, guidance, training, or other mechanisms are in place to ensure that when evaluating the potential closing of particular facilities decision makers ensure that the Universal Service Obligation requirements are maintained?

Please provide (or if unavailable, describe) such procedures, guidance, training, or other mechanisms.

12. Please refer to the Anthony M. Yezer model (the Model) described in the report “The Postal Service Retail Facility Location and Size Problem” (USPS Contract # 6HQ01G-09-B-0024) with IHS Global Insight.
 - a. Please provide the data supporting the Model including the data on the socio-economic and geographical variables used in equation (20) of the Model and listed on page 19 of this report. In particular, (1) Total Revenue (RA) in a given postal facility/postal store; (2) Total Employment (N_E) in the market area of the facility; (3) Total Households (N_H) in the market area of the facility; (4) Dummy variables (U) used in the Model and equal to unity in large urban areas; (5) Median Household Income (M) in the area; (5) Indexes of both private mail employment (I_P) and competitive private mail establishments (I_C) in the market area (data on private mail employment and number of private mail establishments in the area is acceptable too); and Market radius of the facility (r). Please provide data for all 21,898 observations (USPS facilities/ZIP Code locations serving Postal Service facilities) used in supporting the Model.
 - b. Please provide the geographical identifier for each Postal Service facility/ZIP Code location that was used in the Model.
 - c. Has the Postal Service reviewed and considered the Model and related data in the context of its retail network planning efforts?

- d. Does the Postal Service perceive any deficiencies in the Model in its potential application to the Postal Service's retail network planning efforts? If so, please describe all deficiencies in the Model that the Postal Service perceives.
- e. Does the Postal Service have plans to make improvements in the Model to remedy such perceived deficiencies or otherwise? If so, please provide such plans.
- f. Please explain whether and how the Postal Service is using or intends to use the Model and related data in the context of its retail network planning efforts.
- g. Please refer to the U.S. Postal Service Office of Inspector General (USPS-OIG)'s Risk Analysis Research Center Report Number RARC-WP-10-004 which discusses and analyzes the Model and related data. Has the Postal Service reviewed and considered the USPS-OIG's discussion and analysis of the Model in the context of its retail network planning efforts?
- h. Is the RAO Initiative based, in part, on the Model, the related data, or USPS-OIG's discussion and analysis of the Model?
- i. If your response to question 12.h. is in the affirmative, please explain what particular portions of the RAO Initiative were based on the Model, the related data, or the USPS-OIG's discussion and analysis of the Model.

- j. Please explain whether and how the Postal Service is using or intends to use USPS-OIG's discussion and analysis of the Model and related data in the context of its retail network planning efforts.
 - k. Does the Postal Service currently have any plans to use the Model and related data in ways other than for its retail network planning efforts? If so, please provide such plans.
13. The Postal Service confirmed that driving distance is typically used to measure proximity between postal facilities and alternate access locations. See Response to DBP/USPS-10. For each facility reviewed under a discontinuance study, does the Postal Service determine the number of customers without access to a vehicle? If so, how? How does the Postal Service consider public transportation routes and costs for those without automobiles?
14. How does the Postal Service consider customers' ages, disabilities, and socio-economic levels as part of its discontinuance analysis?
15. Section 404(d)(2)(A) requires the Postal Service to take into consideration several statutory provisions prior to closing facilities.
- a. How does the Postal Service consider the impact of the RAO Initiative "on the community served"? 39 U.S.C. 404(d)(2)(A)(i).
 - b. Please identify what factors the Postal Service considers most important in evaluating the impact of the RAO Initiative "on the community served." 39 U.S.C. 404(d)(2)(A)(i).

- c. How does the Postal Service consider the impact of the RAO Initiative “on employees of the Postal Service”? 39 U.S.C. 404(d)(2)(A)(ii).
- d. Please identify what factors the Postal Service considers most important in evaluating the impact of the RAO initiative “on employees of the Postal Service.” 39 U.S.C. 404(d)(A)(ii).
- e. How does the Postal Service consider the impact of the RAO Initiative as related to “consisten[cy] with the policy of the Government, as stated in section 101 (b) of this title [title 39], that the Postal Service shall provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining?” 39 U.S.C. 404(d)(2)(A)(iii).
- f. Please identify what factors the Postal Service considers most important in evaluating the impact of the RAO Initiative as related to “consisten[cy] with the policy of the Government, as stated in section 101 (b) of this title [title 39], that the Postal Service shall provide a maximum degree of effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining.” 39 U.S.C. 404(d)(2)(A)(iii).
- g. How does the Postal Service consider the impact of the RAO Initiative related to “the economic savings to the Postal Service?” 39 U.S.C. 404(d)(2)(A)(iv).

- h. Please identify what factors the Postal Service considers most important in evaluating the impact of the RAO Initiative as related to “the economic savings to the Postal Service.”
- 16. In the context of discontinuance studies, does the Postal Service determine where customers will go for alternative access? If so, how?
- 17. In the context of discontinuance studies, does the Postal Service estimate future expected revenue for the facility if the discontinuance were not to occur? If so, how?
- 18. Please refer to page 4 of witness Boldt’s testimony (USPS-T-1) where he states that “alternate retail access channels have proven increasingly popular with postal customers, now accounting for approximately thirty-five percent of retail revenue and trending upward.”
 - a. Please provide the supporting data for this thirty-five percent number.
 - b. For the areas served by the facilities under consideration for discontinuance study, as a result of the RAO Initiative, what percentage of Postal Service retail revenue comes from alternate retail access channels?
 - c. For rural areas generally, what percentage of Postal Service retail revenue comes from alternate retail access channels?

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